## SAVVIS in Brief
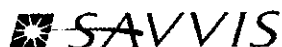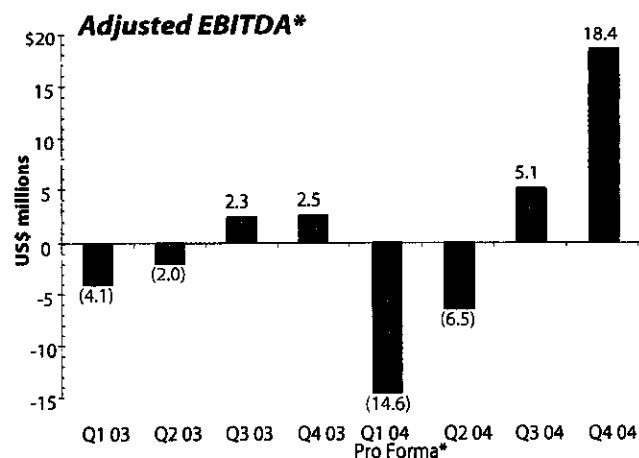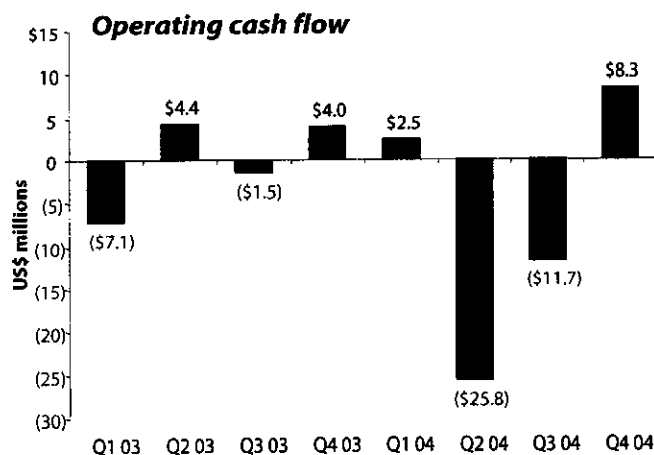
> Global IT utility delivering integrated hosting, network, voice and consulting services with on-demand availability
> Market leader: #2 for market share among both network IP VPN providers (per In-Stat/MDR) and hosting providers (per IDC)
> World-class infrastructure with 24 data centers, Tier 1 OC192 Internet backbone

> SAVVIS solutions are designed for industries with demanding IT requirements
> More than 5,500 enterprise clients
> Listed in "Leader" quadrant in Gartner's Magic Quadrant for North American Web Hosting, October 2004, reflecting quality of services and vision for the future

## Financial Position*

> Stable financial position, with $55.4 million[1] in cash on the balance sheet, up from $53.4 million at 9/30/04.
> Long-term debt totals $336.5 million ($284.6 million on balance sheet, net of original issue discount)[1]; no off-balance sheet financing.
> Minimal cash debt service requirements in 2005; earliest principal payment required in 2007.
> Top-caliber financing partners, including Welsh Carson ($12 billion under management; 57% of SAVVIS voting stock), Constellation Ventures ($450 million under management; partners include Bear Stearns and Salomon Smith Barney; 8% of SAVVIS voting stock), Oak Hill Capital and GI Partners
> Global infrastructure built and paid for.
> Reported gross margin of $178.9 million on revenue of $616.8 million in 2004.
> Fully-diluted common shares outstanding, as converted: 576.9 million.[1]

[1]As of 12/31/04

## Improving quarterly trends from Q1 04 acquisition

### Operating cash flow

US$ millions

| Quarter | Value |
|---------|-------|
| Q1 03 | ($7.1) |
| Q2 03 | $4.4 |
| Q3 03 | ($1.5) |
| Q4 03 | $4.0 |
| Q1 04 | $2.5 |
| Q2 04 | ($25.8) |
| Q3 04 | ($11.7) |
| Q4 04 | $8.3 |

### Adjusted EBITDA*

US$ millions

| Quarter | Value |
|---------|-------|
| Q1 03 | (4.1) |
| Q2 03 | (2.0) |
| Q3 03 | 2.3 |
| Q4 03 | 2.5 |
| Q1 04 Pro Forma* | (14.6) |
| Q2 04 | (6.5) |
| Q3 04 | 5.1 |
| Q4 04 | 18.4 |

**SAVVIS**

TRANSFORMING INFORMATION TECHNOLOGY"

## Fourth Quarter Results

> Strong performance in core value-added services drove growth in Managed IP VPN and Hosting revenue, up 10% and 5%, respectively, from Q3 2004.

> Sequential declines in Other Network Services (unmanaged connectivity) and Reuters/Telerate revenue, as expected.

> Increased revenue diversification: Diversified Revenue (revenue from all customers except Reuters and Telerate, historically SAVVIS' largest) was 83% of total revenue, compared to 54% in the same quarter of the previous year and 82% in the prior quarter.

> Total revenue $166.3 million, up 140% from same quarter of the previous year and down 2% from prior quarter.

> Record gross margin of $55.4 million represents 33% of total revenue, compared to 36% the same quarter of the previous year and 29% the prior quarter.

> SG&A costs 22% of revenue, compared to 33% the previous year and 26% the prior quarter.

> Cash on balance sheet up $2.0 million from prior quarter, to $55.4 million.

## Financial Outlook*

> Double-digit year-over-year growth in Hosting and Managed IP VPN revenue

> Lower revenue from Reuters and Telerate, contributing 13-15% of total annual revenue

> Total revenue of $630-660 million

> Adjusted EBITDA of $50-60 million

> Cash capital expenditures of $35-45 million

> Cash payments of $15-16 million for debt service

> Cash payments of $6-10 million for CWA integration-related costs

## *Forward-looking Statements and Non-GAAP Measures

> This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from SAVVIS' expectations. Certain factors that could adversely affect actual results are set forth as risk factors described in SAVVIS' SEC reports and filings, and we encourage you to review those factors. The forward-looking statements contained in this document speak only as of the date of publication, February 22, 2005, and the company will not undertake efforts to revise those forward-looking statements to reflect events after this date.

> "Adjusted EBITDA" is a non-GAAP measure that SAVVIS management believes is a relevant measurement of a company's financial performance and liquidity in our industry. "Pro Forma" results for Q1 2004 present the results of operations as if acquired assets had contributed for a full quarter. Please see SAVVIS' SEC filings for a full definition and reconciliation of Adjusted EBITDA and Pro Forma results.

## SAVVIS

TRANSFORMING INFORMATION TECHNOLOGY"

transforming information technology℠

**SAVVIS**

SAVVIS Communications (NASDAQ: SVVS) is a global IT utility services
provider. With an IT services platform that extends to 47 countries,
SAVVIS is an industry leader, delivering secure, reliable and scalable
*hosting, network and application services. These solutions enable*
customers to focus on their core business while SAVVIS provides them
with high-quality IT systems. SAVVIS' strategic approach combines
the use of virtualization technology, a utility services model and
automated software management and provisioning systems.
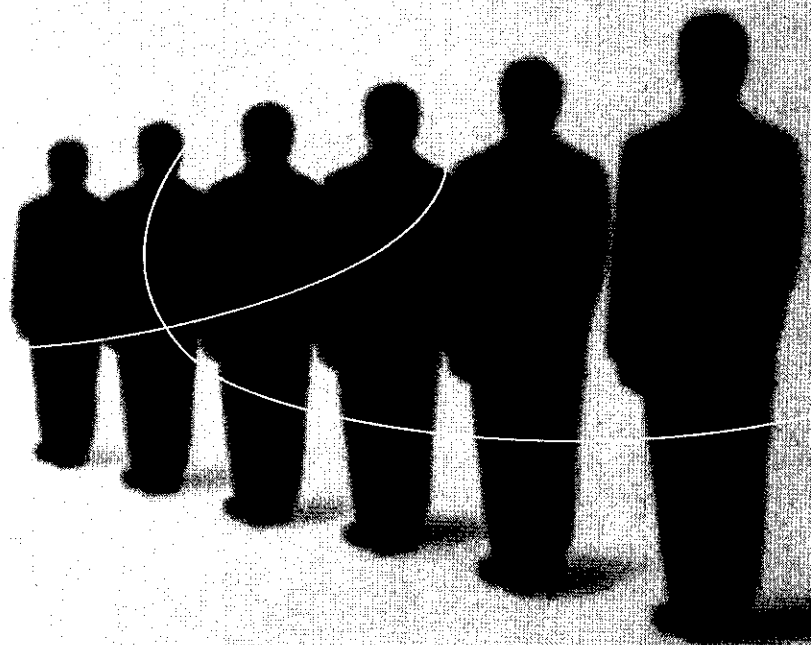
## financial highlights

| DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS | 2004 | 2003 | 2002 |
|---|---|---|---|
| Total revenues | $ 616,823 | $ 252,871 | $236,004 |
| Gross margin | $ 178,860 | $ 89,265 | $ 73,926 |
| Gross margin percentage | 29% | 35% | 31% |
| Loss from operations | $ (96,449) | $ (86,577) | $ (70,152) |
| Net income/(loss) | $(148,798) | $ (94,033) | $ 13,932 |
| Net loss attributable to common stockholders | $(186,045) | $(127,356) | $ (60,556) |
| Basic and diluted loss per common share | $ (1.64) | $ (1.34) | $ (0.45) |
| Adjusted EBITDA[1] | $ 14,377 | $ (1,233) | $ 6,105 |
| Operating cash flow | $ (26,757) | $ (285) | $ (44,968) |
| Capital expenditures | $ 31,308 | $ 18,824 | $ 5,659 |
| Total assets | $406,250 | $124,623 | $192,174 |
| Long-term debt and capital lease obligations | $285,085 | $ 56,902 | $ 35,117 |
| Total stockholders' (deficit)/equity | $ (63,941) | $ 927 | $ 96,163 |

we are solving information
technology problems...

not replicating them.
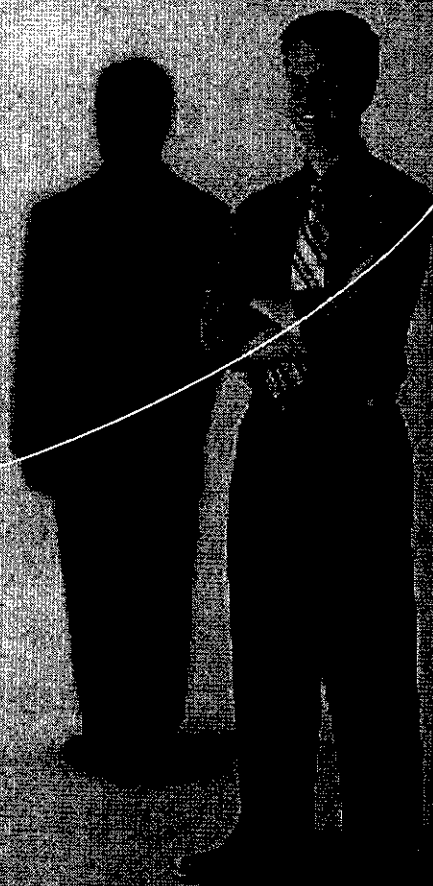
SAVVIS—the company that pioneered reliable, secure, high-performance virtual private networks—today delivers integrated hosting, network, voice and consulting services to thousands of enterprises around the world. As more enterprises make the shift to outsourced managed services, SAVVIS is leading the revolution in IT infrastructure. SAVVIS' utility services platform is the emerging model for outsourced managed services, enabling scalable, automated access to a robust suite of IT services. By providing a market-leading solution for reducing IT costs and increasing availability, SAVVIS is where the rest of the industry is headed.

## an industry leader

SAVVIS was positioned in the "Leader" quadrant of the Gartner North American Web Hosting Magic Quadrant (October 2004) by industry analyst firm Gartner, Inc. The Gartner Magic Quadrant is widely recognized as one of the most influential benchmarks for enterprises seeking to evaluate hosting services. According to Gartner, Leaders are performing well today, have a clear vision of the market direction and are actively building competencies to sustain their leadership position in the market.[2] SAVVIS retains its leadership position in the networking space as well, with industry analysts In-Stat ranking SAVVIS second in market share for network-based IP VPNs. And In-Stat Research expects global revenue from IP VPNs to rise from $2.9 billion in 2004 to $8.1 billion in 2009. Gartner Dataquest has forecast that the North American Web and edge-hosting markets will grow from $6.9 billion in 2003 to $32.2 billion in 2008.[3]

**In-Stat Research expects global revenues from IP VPNs to rise from $2.9 billion in 2004 to $8.1 billion in 2009.**

## a market opportunity

SAVVIS leads the market in offering true virtualized utility solutions. In 2004, SAVVIS introduced its virtualized utility services platform. Employing a utility model, the new platform eliminates expensive hardware and gives companies a secure, private and completely "virtual" network and hosting infrastructure. It cuts internal IT costs by as much as 50% while offering an integrated set of previously unavailable services. The virtualized utility services platform is based on advanced, automated software management and provisioning systems, developed by SAVVIS, that provide customers with a simple, yet comprehensive, end-to-end view of their IT infrastructure. This visibility across network, security, compute and storage platforms creates efficiencies that allow SAVVIS to be more responsive to customers' needs and to reduce customer dependence on redundant hardware. With this approach, SAVVIS is in the industry vanguard: Gartner projects, by 2008, 25% of U.S. businesses will be using some type of IT utility (0.7 probability).[4]

**Gartner Dataquest forecasts North American hosting markets will grow from $6.9 billion in 2003 to $32.2 billion in 2008.**

## an enterprise solution

SAVVIS originally established its reputation for exceptional reliability and performance in the financial services vertical—by providing secure, high-speed data networks linking financial traders with financial exchanges. Since then, SAVVIS has become a leader in providing IT solutions for all businesses and has expanded its industry vertical solutions beyond financial services to include the media and entertainment, retail, federal government, and healthcare sectors. For example, SAVVIS is now a leading provider of digital transport and archival services to the media and entertainment industry, counting among its customers some of the biggest names in the business. In 2004, the company launched its new IT utility-based products to these key sectors, enabling these customers to streamline workflows, enhance collaboration, increase productivity, protect and preserve valuable content, and realize an immediate return on their digital media investment.

financial services

media and entertainment

retail

federal government

Instead of dedicating multiple, individual hardware "boxes," SAVVIS builds software versions of the equipment. This dramatically reduces overhead costs and lets SAVVIS dynamically provision dedicated network, security, server and storage solutions from an IT resource pool as our customers need them.

Enterprises can buy what they need, when they need it. By leveraging pools of resources, SAVVIS can deliver on-demand access to a suite of massively scalable IT infrastructure and application services, saving money and time.

## UTILITY SERVICES

## VIRTUALIZATION

*with SAVVIS' virtualized utility model*

## AUTOMATION

SAVVIS employs a combination of automated operations software, a unique service model and end-to-end management systems to deliver superior IT operations. This high level of automation lowers costs and increases scalability.

healthcare

Today, enterprises spend about 70% of their IT dollars on maintenance rather than investing in development and new applications.[5] Faced with complex, high-maintenance IT infrastructure, they are increasingly looking to outsource IT functions. Traditional outsourcing models provide some operational savings—usually 10–15%—but end up duplicating the same old IT management problems—problems related to infrastructure performance, upgrades and maintenance. SAVVIS has developed a new outsourcing model that drastically reduces capital expenditures. It's already proven to reduce annual IT costs by as much as 50% over conventional models. This is because SAVVIS' utility services model routinely and automatically optimizes resource allocation for each client. This allows customers to pay only for what they use. Additionally, it lessens the burden of capital expenditures and legacy systems. That makes SAVVIS the next big thing in IT infrastructure.

2., 3., 4., 5. Please see inside back cover.

# to our shareholders

SAVVIS achieved major milestones in 2004. We closed on the acquisition of substantially all the U.S. assets of Cable & Wireless (CWA) in March, including 15 world-class data centers, a Tier 1 Internet Protocol network and a premier customer list. By the end of the year, the complex and demanding integration was 95% complete, achieving significant synergies that effectively turned around CWA's operations, which had been operating at an annual loss of over $1 billion. By the third quarter of 2004, our integrated company reported positive Adjusted EBITDA,[1] and in the fourth quarter, we returned to operating cash-flow positive. In addition, in April we launched our virtualized utility services platform, the product of more than ten years of development, and by June had rolled it out globally.

The acquisition of CWA's operations substantially increased our revenue-generating potential by adding a diverse base of new customers, and significantly enhanced our scale. With the successful integration of those operations and the launch of our virtualized utility services platform, we raised our profile in the market, and were positioned in the "Leader" quadrant of Gartner Inc.'s Magic Quadrant for North American Web Hosting, which we believe is an important affirmation of the caliber of our company from an analyst many of our customers trust and respect. We also continued to add customers and expand existing relationships, launched new products in our industry verticals, and maintained strong customer satisfaction.

We're proud of how SAVVIS is growing. We ended 2004 as a very focused provider of managed services, about doubled in size from a year earlier, and well prepared for the future.

## 2004 results

I am very pleased with our 2004 financial results. We achieved revenue of $616.8 million, compared to $252.9 million in 2003. Our gross margin doubled, to $178.9 million in 2004 from $89.3 million in 2003. Adjusted EBITDA of $14.4 million for the year was a $15.6 million improvement from negative Adjusted EBITDA of $1.2 million in 2003. At year-end, our balance sheet and cash position were in line with expectations. While we issued debt in association with the acquisition of CWA operations, we have minimal short-term cash debt service requirements.

Adjusted EBITDA is the key measure of our success. We see the value of the CWA integration in the sequential improvement in Adjusted EBITDA and cash flow that we achieved in each quarter of 2004. In the fourth quarter, we generated Adjusted EBITDA of $18.4 million, a record gross margin of $55.4 million on revenue of $166.3 million, and positive operating cash flow of $8.3 million. We achieved sequential quarter-to-quarter improvement in gross margin throughout 2004, reflecting the efficiency improvements achieved through the integration of operations. Overall, we realized more than $120 million in annualized cost savings through the integration—even better than anticipated.

1. Please see inside back cover.

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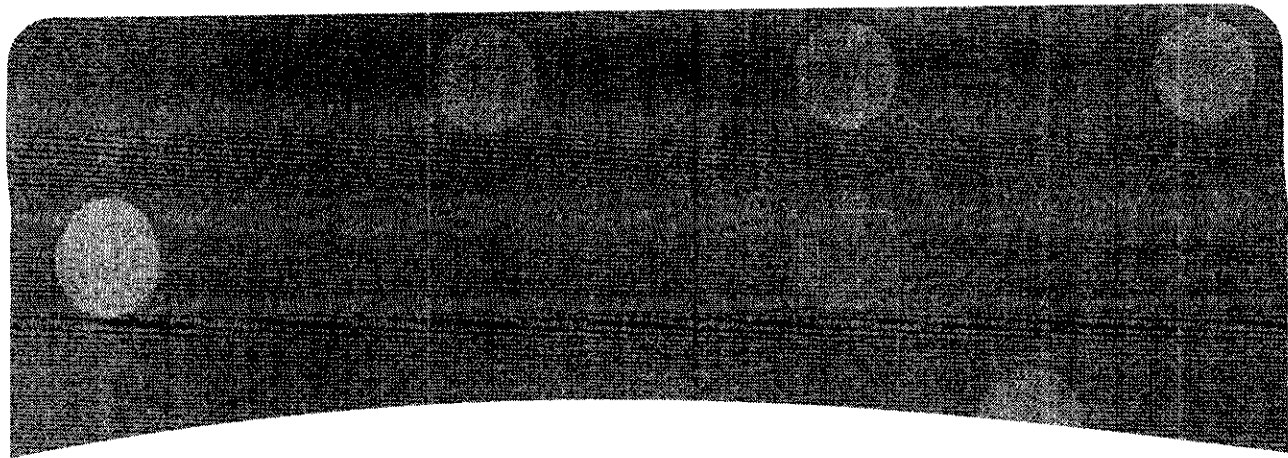
## the virtualized utility services platform

With the launch of our virtualized utility services platform, SAVVIS cements its position as a category creator. We're the first company that really is an end-to-end provider of utility infrastructure services, and are confident we have a multi-year lead on our competitors. And we expect to extend that lead. We have now virtualized our core offerings to encompass every piece of the IT infrastructure—network, security, storage and compute. Our virtualized approach and utility services model drastically reduce capital expenditures for our customers—and have already been proven to reduce their annual IT costs by as much as 50% over conventional models.

We introduced the virtualized utility services platform in April, and won rave reviews from IT analysts and the press. Clients quickly saw the advantages as well, and by year-end, SAVVIS had deployed 650 virtual firewalls, more than 300 virtual servers and over 60 terabytes of virtualized storage—a strong acceptance rate for a new IT idea. In 2005, we continue to see strong interest in the product in the United States and the United Kingdom.

## outlook

2004 was a year of great accomplishments for SAVVIS. We ended the year well positioned for the future, financially and operationally. The business case for utility services is clear, and SAVVIS is first to market with these solutions. We have the scale, technology and resources to build on that advantage. In addition, our core service offerings continue to add value for clients and command a premium in the market.

In the year ahead, we plan to build on our leadership position by continuing to add value for our customers with traditional services and cementing our position in the emerging virtualized utility space. As we further hone our business model, we're focused on our key goal of creating value for all our shareholders. More than 1,800 SAVVIS team members worldwide join me in that effort, and I want to thank them for their commitment and high standards. And thank you, our fellow stockholders, for your support of SAVVIS.

Sincerely,

Robert A. McCormick
Chairman and Chief Executive Officer

Everyone at SAVVIS is committed to building value for our shareholders. The three executives leading the effort to deliver that value recently sat down together to review the events and achievements of 2004, and *the outlook for 2005. Chairman and CEO Rob McCormick, President* and COO Jack Finlayson, and CFO Jeff Von Deylen together have over 50 years of experience in the network and IT infrastructure industry. The following are excerpts from that conversation.

## on SAVVIS' 2004 achievements

**Rob:** Looking back, 2004 was a watershed year for SAVVIS. We had two really significant events. The first, and most obvious, was our acquisition of Cable & Wireless America's assets. The second was our launch of an industry-leading virtualized utility services solution. These two achievements position SAVVIS for future success.
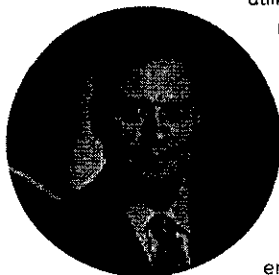
**Jeff:** There's no question. For one thing, the acquisition dramatically changes the scope and scale of the company. It doubled our gross margin, drove a $15.6 million improvement in Adjusted EBITDA[1] and increased our annual revenue to over $600 million.

Robert A. McCormick
Chairman and
Chief Executive Officer

**Jack:** We also doubled the size of our customer base and acquired a diverse mix of new customers. Many of them have been using basic, commodity-like services, like straight colocation. They're prime candidates to move up to the more value-added managed services that are SAVVIS' strength.

## on the integration of the CWA operations

**Jack:** The rapid integration of the CWA operations was a major achievement in itself. We took a company that was larger than the original SAVVIS and integrated every major function in nine months. Plus we created a single, unified culture—one SAVVIS team.

**QUARTERLY PRO FORMA ADJUSTED EBITDA GROWTH IN 2004**
*(dollars in millions)*

$18.4
$5.1
-$6.5
-$14.6

**Rob:** I'm really pleased with the success of the integration from a financial perspective as well. CWA had always lost money, but we turned it around. We cut costs prudently, and achieved stronger synergies than we had anticipated—more than $120 million of annualized cost savings.

**Jeff:** You just have to look at the quarterly progression in the numbers. That really tells the financial story. SAVVIS went from pro forma Adjusted EBITDA[1] of negative $14.6 million in the first quarter, to negative $6.5 million in the second, to positive $5.1 million in the third, to positive $18.4 million in the fourth quarter. Our operating cash flow improved steadily as well.

**Rob:** One more thing—I think it's important for our customers and our shareholders to know that we didn't just cut costs in 2004; we also invested capital to upgrade the acquired assets to improve performance and increase customer satisfaction.
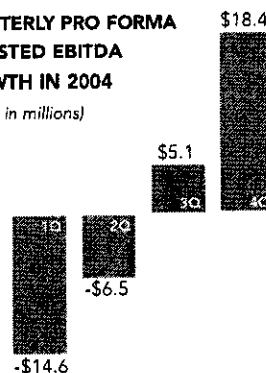
## on the utility services solution

**Rob:** The utility services solution really differentiates SAVVIS. Everybody is talking about it, but nobody else is doing it. It's a high-margin, high-volume product. And it's going to change the way the industry works.
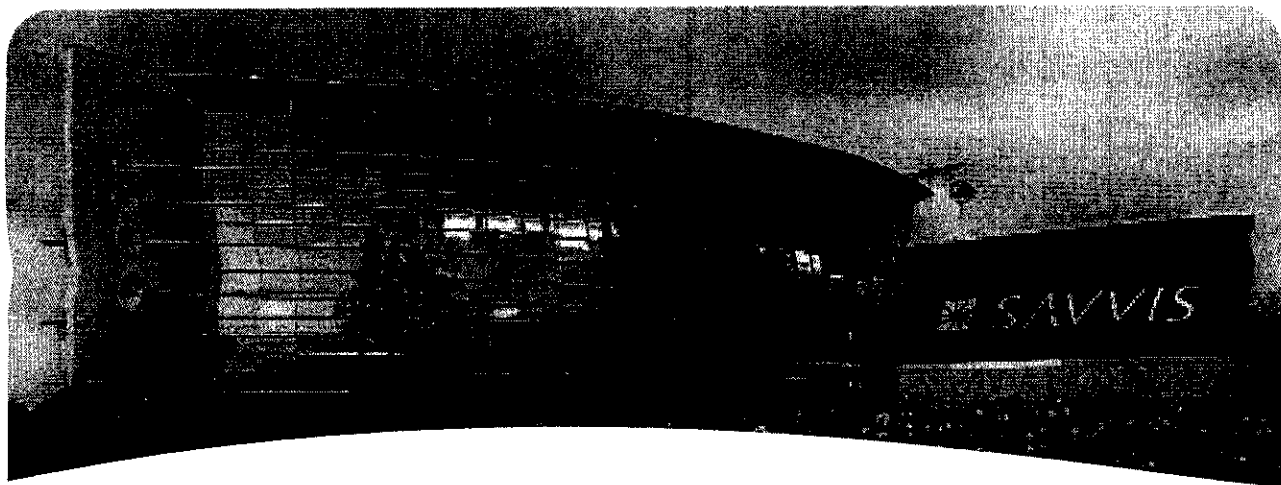
**Jack:** Rob, you've been championing virtualized utility services at SAVVIS for ten years, but it's still new to the market. I think the strong commercial acceptance we've seen shows how powerful this
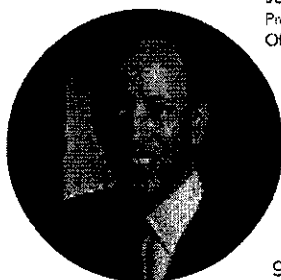
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John M. Finlayson
President, Chief Operating
Officer and Director

model is. We've deployed more than 60 terabytes of storage, 650 firewalls and 300 virtual servers in less than a year. That's a high volume in a very short time, which is notable given a groundbreaking IT model like this.

**Jeff:** Well, the business case is really compelling. We've shown that a virtualized platform can save an enterprise 50% or more versus traditional models, with a rapid return on investment.

**Rob:** I think Gartner confirmed the utility services solution when they positioned us in the "Leader" quadrant for North American Web hosting. Virtualization is where the industry is headed—and SAVVIS is already there.

## on the opportunities ahead

**Jack:** The virtualized utility model builds on our long history of adding value by offering managed IT infrastructure services— that value is what differentiates SAVVIS. And customers are increasingly interested in taking a fresh look at their IT model, reducing the costs they're committing to maintenance and other tasks that don't differentiate them—tasks we can handle better and at a much lower cost. At SAVVIS, we've achieved consistent growth with our managed

IP VPN services, and with our managed hosting services, prior to the March acquisition, as well. I know we were all pleased by the sequential-quarter growth in hosting revenue in the fourth quarter of 2004—we've reached an important milestone with the CWA hosting operations, which had been on a decline for over three years. In 2005, we're well positioned to extend the growth we achieved in the fourth quarter, which attests to the value of our core offering.
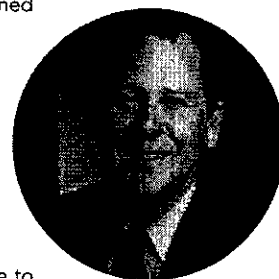
**Rob:** That growth in revenues from hosting and IP VPN is contributing to a significant change in our revenue mix that's going to continue. And virtualization is going to contribute to that shift. In 2005, we're going to take our leadership in the utility space, leverage it and grow it, so that we continue this strategic shift from the low value-added product to the high value-added product. There's a tremendous opportunity in the utility space. Every CIO in the United States, Europe and Asia is looking for a product to help them with their IT problems. That means we're going to continue to grow revenue in that product set.

Jeff Von Deylen
Chief Financial Officer

**QUARTERLY OPERATING CASH FLOW IN 2004**

*(dollars in millions)*

$8.3

$2.5

1Q

2Q

3Q

4Q

-11.7

-$25.8

**Jeff:** And, given that we have a fully built network, we're operating from a fixed-cost platform. As we expand services to our existing customer base and add new ones—as we grow our revenue—the incremental margins are very attractive.

7
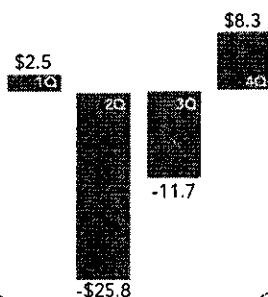
## on the outlook for 2005 and beyond

**Rob:** So with the integration 95% complete, we're concentrating our full resources on new business growth. We have great opportunities with our expanded customer base—more than 5,500 enterprises. They're driving the majority of our sales wins as they buy new services or upgrade their existing ones. That's a big opportunity. But we're always looking to add new clients, too. As word spreads about the value of our services, and we continue to demonstrate the viability of our utility services, we'll be raising our profile in the market.
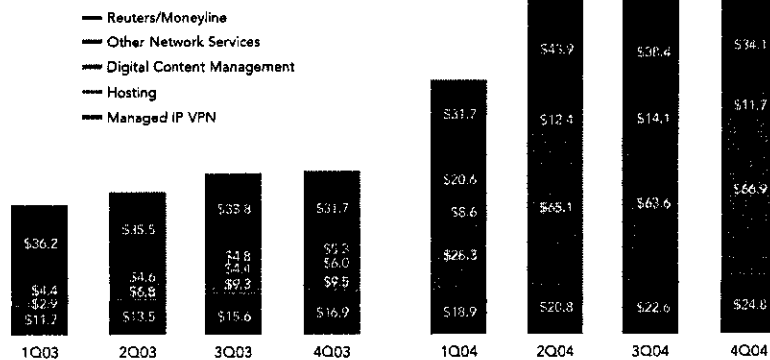
**Jack:** Everything we know about this industry leads to the conclusion that the virtualized utility services solution is poised to take off. I'm confident that, over the next three years or so, 70% of our customers will be using a piece of that model.

**Jeff:** There's no question that our revenue mix is going to continue to change. The big challenge is in our unmanaged connectivity services—they're more commodity-like and have been under strong pricing pressure. We're also planning for continued declines in revenue from Reuters and Telerate. Still, we expect the strong growth in our core services revenue to offset much of that. We continue to focus on Adjusted EBITDA as the most relevant measure of our financial performance, and, based on all these factors and our solid 2004 performance, we anticipate significant EBITDA growth in 2005.

**Rob:** The SAVVIS team did a great job transforming our company in 2004. In 2005, we're anticipating strong success with our core service offerings, the managed and virtualized products that really set us apart in the market. As our business mix changes to reflect the realities of the industry, I'm confident that we'll be very well positioned to deliver on the value of our franchise.

**QUARTERLY CHANGE IN REVENUE MIX**

*(dollars in millions)*

- Reuters/Moneyline
- Other Network Services
- Digital Content Management
- Hosting
- Managed IP VPN

| | 1Q03 | 2Q03 | 3Q03 | 4Q03 | 1Q04 | 2Q04 | 3Q04 | 4Q04 |
|---|---|---|---|---|---|---|---|---|
| Reuters/Moneyline | | | | | $31.7 | $30.8 | $30.7 | $29.8 |
| Other Network Services | | | | | | $43.9 | $36.4 | $34.1 |
| Digital Content Management | | | | | $8.6 | $12.4 | $14.1 | $11.7 |
| Hosting | $36.2 | $35.5 | $33.8 | $31.7 | $26.3 | $65.1 | $63.6 | $66.9 |
| Managed IP VPN | $4.4 | $4.6 | $4.8 | $5.3 | $18.9 | $20.8 | $22.6 | $24.8 |
| | -$2.9 | $6.8 | $4.0 | $6.0 | | | | |
| | $11.2 | $13.5 | $9.3 | $9.5 | | | | |
| | | | $15.6 | $16.9 | | | | |

# form 10-k

● **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the fiscal year ended December 31, 2004

OR

○ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 0-29375

# SAVVIS COMMUNICATIONS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

**Delaware** (State or other jurisdiction of incorporation or organization)

**43-1809960** (I.R.S.Employer Identification No.)

**1 SAVVIS Parkway, Town & Country, Missouri 63017** (Address of principal executive offices) (Zip Code)

**314-628-7000** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities Registered pursuant to Section 12(g) of the Act: Common stock, par value $.01 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ● Yes ○ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). ● Yes ○ No

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of June 30, 2004 was approximately $130,008,630 based upon the last reported closing sales price of $1.38 as reported on the Nasdaq SmallCap Market Index of such equity on such date.

The number of shares of the registrant's common stock outstanding as of February 24, 2005 was 180,457,420.

**DOCUMENTS INCORPORATED BY REFERENCE**

List hereunder the following documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

Portions of the definitive proxy statement for the 2005 annual meeting of stockholders to be held on May 17, 2005, to be filed within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III, Items 10–14 of this Form 10-K.

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## ITEM 1. BUSINESS

### CAUTIONARY STATEMENT

Some of the statements contained in this Form 10-K discuss future expectations, contain projections of results of operations or financial condition or state other forward-looking information. Any statements in this report that are not statements of historical facts, are intended to be, and are, "forward-looking statements" under the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual events to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these "forward-looking statements" by our use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "intend" or "potential" or the negative of those words and other comparable words. You should be aware that those statements only reflect our predictions. Actual events or results may differ substantially. Important factors that could cause actual events or results to be materially different from the forward-looking statements include those discussed under the heading "Business--Risk Factors" and throughout this Form 10-K. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this annual report on Form 10-K and the information incorporated by reference in this report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The terms "SAVVIS," "we," "us," "the Company," and "our" as used in this report refer to SAVVIS Communications Corporation, a Delaware corporation, and its subsidiaries, except where by the context it is clear that such terms mean only SAVVIS Communications Corporation.

### OVERVIEW

SAVVIS is a global information technology, or IT, services company delivering integrated hosting, network, voice, digital content management, industry solutions and professional services to organizations around the world and to the U.S. federal government. Our unique solutions model combines advanced virtualization technology, utility services, and automated software management and provisioning systems to deliver "instant" access to a suite of IT services that offer high availability, business agility and disruptive economics. Our solutions enable customers to focus on their core business while we ensure the performance of their IT infrastructure. We have over 5,500 customers in the financial services, media, retail, professional services, healthcare and manufacturing sectors. For the fiscal year ended December 31, 2004, our revenues exceeded $616.8 million.

In March 2004, we purchased substantially all of the assets of Cable & Wireless USA, Inc. and Cable & Wireless Internet Services, Inc. together with the assets of certain of their affiliates (CWA). With the acquisition of CWA, we acquired internally developed assets and infrastructure systems. In addition, we acquired hosting assets in 15 data centers, 3,000 business clients, an Internet Protocol (IP) network, with a footprint encompassing approximately 27% of all Internet routes, a global Content Delivery Network and considerable consulting expertise that has enabled us to expand the scope of services we offer and the scale of our global operation. Our portfolio of services is as follows:

*Managed IP VPN* includes private networks (known as IP VPNs). This service is a fully managed, end-to-end service that includes all hardware, management systems, and operations to transport voice, video, and data applications. This service has built-in security, fully meshed connectivity, and the ability to assign individual service levels to different applications so each application receives the performance levels it requires and the customer saves money by not over-building their network.

*Hosting* includes the facilities, networks, servers, storage, and operations to run business applications. Customers can take advantage of our Flexible Service Model which allows them to decide the right mix of our service for their applications from full outsourcing to basic colocation. We offer these hosting services, as well as other services, through our 24 data centers located throughout the United States, Europe, and Asia. We also have integrated Microsoft Exchange 2003 and SharePoint® with our utility infrastructure to offer enterprise messaging and collaboration as an outsourced service.

*Other Network Services* includes Internet access, wholesale carrier networks, and voice services. These services can be purchased individually or in combination. The network portfolio emphasizes high performance and availability, end-to-end management and monitoring, security, any-to-any connectivity, and cost effectiveness.

*Digital Content Management/Media Services* provide a shared-managed infrastructure tied to workflow applications that enhance the creation, production and distribution of digital content and streaming media. These services help customers manage, share, store and distribute their digital content inside their organization and throughout supply chains outside of their organization through a single access point and a single system. We also offer a specific configuration of our hosting infrastructure called a Content Delivery Network (CDN) that integrates over 3,000 servers in nearly 500 locations around the world to improve the performance of web applications.

Our customers' varied and individual needs often require that our portfolio of services be combined and integrated in order to best suit their needs. To address these needs, we also offer the following services:

*Industry Solutions* that integrate powerful applications with our global infrastructure to deliver services that enhance industry-specific workflows and improve enterprise productivity. Industry solutions support the financial services, media and entertainment, retail and federal government markets. Cross-industry solutions for email and collaboration are also available.

*Professional Services* are provided through a group of industry experts and skilled practitioners that allow our customers to get the maximum value out of their SAVVIS services. We offer assistance and consultation in networking security, performance tuning and optimization, business recovery, operations, and migration.

## OUR HISTORY

Throughout our history, we have focused on delivering IT services to business and government enterprises. Our global IT infrastructure and service model were originally built as a business unit of Bridge Information Systems, Inc, a financial market data company. We were incorporated in Delaware in 1998 and began providing high speed Internet service to enterprise clients and Internet service providers. In 1999, we were acquired by Bridge, and our network was combined with Bridge's network.

In February 2000, we completed an initial public offering (IPO) for the combined entity. We used part of the proceeds of the IPO to acquire the network and computing assets of Bridge, and we entered into an agreement to provide network services to Bridge and its world-wide client base. Also in 2000, we launched our Intelligent IP℠ networking product suite. It allowed customers to have a private, secured, fully meshed network where individual applications could be assigned unique service levels all at price points lower than the frame relay and private line alternatives available at that time.

In 2001, Bridge went into bankruptcy, and Reuters Limited and Moneyline Telerate and Moneyline Telerate International (collectively, Telerate) agreed to acquire substantially all of Bridge's assets. In the fall of 2001, we entered into network service agreements with Reuters and Telerate, effectively replacing the agreement with Bridge, then in the process of liquidation.

In 2002, we were chosen by Intel Online Services (IOS) to provide managed hosting services to their clients in the United States, United Kingdom, and Japan under contracts we entered into directly with former IOS customers. In 2003, we entered into leases and subleases and assumed management of all or a portion of IOS data centers located in Santa Clara, California; Chantilly, Virginia; London and Tokyo to serve these clients.

In 2003, we purchased the commercial business operations assets of WAMINET, Inc., a global provider of content management and delivery services. The addition of WAMINET brought SAVVIS critical application expertise in digital content management and a significant set of enterprise clients in the print and publishing, music and gaming, retail, and consumer goods vertical markets.

In 2004, we acquired substantially all of the assets of CWA out of bankruptcy. This acquisition, which closed in March 2004, expanded our portfolio of services, grew our customer base, and added 15 data centers, a Tier 1 Internet backbone, and an established content delivery network to our IT infrastructure. Also, in 2004, we launched our global portfolio of virtualized utility services that provide fully integrated server, storage and network capacity to run business applications using an on demand delivery model.

## INDUSTRY TRENDS

The IT strategy of businesses has been increasingly focused on eliminating costs, improving agility, and focusing resources on projects that deliver competitive advantage.

While IT capabilities often conveyed competitive advantage in the past, businesses now recognize that a large part of IT infrastructure is no longer a strategic differentiator. As the core functions of IT, such as data storage, processing, and transport, have become common throughout all industries, these functions have become simply costs of doing business. A survey of IT executives conducted by IDG Research Services Group and CXO Media Inc. released in late 2003 indicated that 70% of IT resources are spent on existing systems and applications and only 30% on new projects.

Businesses face the challenge of allocating limited resources to new IT projects that can provide competitive advantage, while still having to spend most of their resources on existing, non-differentiating systems and infrastructure. In addition to the declining strategic importance of IT infrastructure, many businesses are also recognizing the high cost and inefficiency of managing IT themselves. As many companies experience budget constraints, it is increasingly difficult to upgrade technology and match IT costs with actual usage.

Given these trends in IT strategy, budget constraints, and inefficient use of resources, businesses are beginning to outsource core parts of their IT functions so they can focus on those parts of IT that still provide competitive advantage, such as customer or industry-specific applications.

Although businesses are increasingly accepting outsourcing as a viable option, many traditional outsourcing approaches are not adequate. Many outsourcers simply operate a customer's infrastructure without fundamentally changing the underlying technology or the way the infrastructure is managed. For example, some outsourcers hire the customer's staff, which may partially reduce a business's labor costs, but the fundamental problem of using the wrong technology and managing the systems inefficiently is not solved.

## OUR SOLUTION

Our solution is to provide managed IT infrastructure services that enable customers to benefit from significant cost savings and performance improvement. Our solutions are focused in three areas:

*Virtualization.* Our integrated systems deliver a broad range of functionality that has been traditionally provided by discrete hardware components. For example, we use software to dynamically configure "virtual" firewalls that can be installed on-demand rather than acquiring unique firewall "boxes" that must be physically installed to protect servers. We take a similar approach for networks, servers and storage. By "virtualizing" IT services, we can easily increase or decrease the IT solutions, extend our own best practices operation and continually refresh technology. The result is improved performance and lower costs for our clients.

*Utility Services.* Through virtualization, we have created a pool of IT resources that we control and manage centrally. As a result, once the customer is connected to our network, the customer has access to a suite of services in an on-demand or "utility" basis, eliminating the need to pay for hardware that a customer does not need or use. For example, customers of non-utility providers typically buy more storage capacity than they need, with the anticipation that they will grow to the point where they will need all the capacity. With a utility solution, customers pay for only what they use. Should the customer need more capacity, we offer flexible pricing and quick provisioning to provide additional storage on-demand. The benefit to customers is that they are better able to match costs with actual use.

*Automation.* We have developed proprietary software and end-to-end support systems that automate a large part of our business operations including order processing, service delivery, provisioning, equipment management, and billing. While many of our competitors have amassed multiple legacy systems that increase complexity and hurt customer service, we believe that our automated platform allows us to provide streamlined service to our customers at a lower cost.

In addition, unlike some of our competitors who have single service offerings such as Internet access, colocation, or content delivery network offerings, we offer a full range of services, including all of those as well as computing, storage, applications, network, and hosting. This approach enables us to be a flexible and scalable outsourcer for our customers, able to provision tailored, end-to-end IT infrastructure solutions on demand.

## OUR STRATEGY

Our strategy is to become a leading provider of utility-based managed services including: network, hosting, digital content management, industry solutions and professional services. Key components of our strategy are to:

*Strengthen our position as a leading IT infrastructure service provider.* We seek to further develop our utility infrastructure to enhance the level of service that we provide to our customers. Through product development, validation from industry analysts and our customers, and increased brand awareness, we seek to attract more customers and expand and enhance our offering. As more customers realize the cost effectiveness of outsourcing significant parts of their IT infrastructure to us, we believe our reach and customer base will expand.

*Cross-sell our full product offering to our existing customer base.* As a result of our acquisitions of CWA, WAMINET, and the Intel Online Services customers, we now have the opportunity to cross-sell our services to over 5,500 enterprise customers. We have successfully integrated our legacy network and hosting infrastructure with CWA's so that we can offer our broad portfolio of services to our entire customer base. Our full suite of managed IP VPN and hosting services offers our customer base an attractive migration path to utility services and enables us to achieve higher levels of customer retention than traditional providers of commodity services such as bandwidth, space and power.

*Further penetrate target vertical markets.* Our service offering was originally developed to support real-time data collection and distribution applications for the financial services industry. Today, financial institutions rely on our services for a diverse set of applications including market data, electronic trading, and straight through processing (STP). We aim to further leverage our expertise and IT infrastructure to expand into other industry vertical markets with similar requirements for high-performance, cost-effective IT solutions such as media and entertainment, retail, healthcare, and the U.S. federal government.

*Pursue strategic partnerships.* We are pursuing strategic partnerships that will accelerate revenue growth. In particular, we aim to partner with entities, such as system integrators, that will expand the adoption of our utility services through their service capabilities and trusted relationships with their clients. We also intend to partner with firms that can add unique function to our services that address key market opportunities in targeted vertical markets or solution sets.

## OUR SERVICES

We offer a suite of IT services that can be purchased as point solutions or as part of a total or partial outsourcing arrangement. These services fit broadly into the following categories: managed IP VPN, hosting, other network services, digital content management/media services, industry solutions, and professional services.

### Managed IP VPN

*IP VPN*, sold under the Intelligent IP℠ networking brand name, is a fully managed, end-to-end service that includes all hardware, management systems, and operations to transport voice, video, and data applications. This service has built-in security, fully meshed connectivity, and the ability to assign individual service levels to different applications so each application receives the performance levels required, and the customer pays for only what is needed.

### Hosting

*Utility Hosting* combines our data center facilities, network, computing, storage, and operations management services to provide customers with an application platform that delivers better performance, higher availability and lower total cost than found with traditional service provider models. Utility Hosting operates on a virtualized pool of IT resources that are dynamically configured using software rather than using dedicated hardware "boxes" to provide network, security, computer processing, and storage. This approach reduces capital costs, improves performance, and increases our customers' business agility.

*Intelligent Hosting* is sold under the Intelligent Hosting℠ brand name and uses industry standard hardware and software platforms installed in our data centers to deliver the IT services for running customer applications. We bundle all the technology and operations support into a service that customers can pay for monthly. This allows our customers to benefit from a highly reliable and secure IT infrastructure without the capital expense and ongoing operations, personnel and systems.

*Colocation* offers a variety of options to customers with needs for data center space and power for their server and networking equipment needs. We globally manage 24 data centers in the United States, the United Kingdom, and Japan so customers around the world can easily access their equipment. We provide conditioned power that delivers a stable power supply by eliminating spikes from the commercial power grid and providing a smooth transition to backup power supplies when necessary. Industrial grade cooling, fire suppression, physical security and hands-on support are key components of this offering.

*Storage* allows many businesses to buy data storage services on a monthly basis for both primary and backup applications. We offer both dedicated storage devices and utility storage to deliver a broad range of services including managed backup, managed vaulting, backup care and storage care. Each service is highly flexible enabling the customer to design the solution according to their needs.

*Intelligent Messaging and Collaboration* delivers Microsoft Exchange 2003 for outsourcing enterprise email and Microsoft SharePoint® for document collaboration and resource sharing. Both are run on our utility platform.

*Security* is a unique collection of systems, skills, and technology that can be delivered on a "mix and match" basis to meet customer requirements. Virtualized Security Services deliver "on-demand" firewall and intrusion detection for hosted infrastructure and in-network firewalling for the wide area network. Dedicated security services use technologies to provide intrusion detection and prevention services, managed network perimeter security, access and authentication, and scanning and analysis services.

*Intelligent Monitoring*, sold under the Intelligent Monitoring℠ brand, provides proactive continuous monitoring and management of business critical IT applications and infrastructure. This offering supports a wide array of networking devices, operating systems, database systems and web servers.

### Other Network Services

*Internet Access* is designed for businesses that run mission critical applications over the Internet. We offer Tier 1 Internet services in the United States, Europe and Asia that are managed or unmanaged and have speeds from fractional T-1 to full OC192. We can also include Internet service as part of a private IP VPN solution so that, for example, a business could use our private network to connect its offices and our Internet to reach its customers or partners. For the large enterprise or carrier customer, we offer High Speed Dedicated Internet Access (HS-DIA) which is unmanaged and delivered at speeds ranging from OC3 to OC192.

*Private Line* is sold under the Bandwidth Connect℠ brand name. Bandwidth Connect is a private line, point-to-point service that is sold on our OC192 backbone in the United States and Europe at physical line rates of T-1 and up. These circuits are dedicated to an individual customer that wants to connect two points or to use our service as a transport leg in a broader, global connection path.

*Managed Voice* integrates enhanced hosted voice applications such as 1-800 services, conferencing, find-me-follow-me, and auto attendant with voice transport services. Customers can buy the services individually using their current voice systems or as part of a new voice VPN solution.

*High Speed Layer-2 VPN* utilizes multiprotocol label switching (MPLS), a networking standard that is increasing in the industry. Over time, MPLS intends to provide many of the same capabilities that our Intelligent IP℠ networking delivers today including quality of service, any-to-any connectivity, and security. Our High Speed Layer-2 VPN offering is a good fit for customers that have made a commitment to MPLS as an enterprise standard.

### Digital Content Management/Media Services

*WAMINET Services* provide a shared infrastructure tied to applications that streamline process and workflow around the creation, production and distribution of digital media and marketing content. These services help companies to manage, share, store, and distribute their digital media inside of their organization and throughout their external supply chains using a single access point.

*Digital Media Studio* provides production services for all forms of digital media to be delivered over the Internet. We have a full production studio in Weehawken, New Jersey that has produced thousands of webcasts such as annual shareholders' meetings and built systems that encode music for web-based delivery.

*Content Delivery Network* is a unique configuration of our hosting and network assets that uses over 3,000 servers in nearly 500 locations to improve the performance, reliability, and reach of web applications. Our streaming services can be used to deliver single events or libraries of video or animated content. Our Intelligent Traffic Management service can be used to route traffic to individual servers based on business rules or continuously monitor systems and to reroute traffic should performance bottlenecks emerge.

### Industry Solutions

*Financial Services* support Financial Information eXchange (FIX) electronic trading, extranet connectivity, raw and normalized market data feeds, and instant messaging compliance.

*Media and Entertainment* automates the creation, production, and distribution of digital content such as movies, music, print media, and marketing content.

*Retail* provides services for cardholder protection, e-commerce, customer service, distance learning, and managing and protecting digital brand assets.

*Federal Government* supports the unique information technology needs of the U.S. federal government through our subsidiary SAVVIS Federal Systems, Inc. based in Herndon, Virginia.

### Professional Services

Our professional services organization assists our customers with assessing, designing, developing, implementing and managing outsourcing solutions. The professional services group offers:

- web-based application consulting services;
- disaster recovery and business continuity services;
- infrastructure consulting services;
- migration planning and analysis services;
- security consulting services; and
- program management services.

This group allows our customers to access the skills of a team of consultants who have assessed, designed and managed thousands of global IT systems.

### CUSTOMER SERVICE

We know that high quality customer service is critical to attracting and retaining customers. Unlike most other service providers, who typically split customer service into separate departments, we built our customer service as a cohesive centralized operation. This means that all service calls are assigned a single point-of-contact in one of our four worldwide Operation Centers located in St. Louis, Missouri, Reading, U.K., Singapore, and Tokyo. This single point of contact works with our service engineers who are accountable for the performance of each of our customer's solution. This unique strategy is the foundation of our customer care both at service installation and in ongoing support.

*Service Installation Process.* We significantly reduce the complexity and cost of the service installation process by having a single point of contact, as well as using one automated, company-wide system. With our automated installation process, the local loop is ordered, the network devices are configured, routing policies are established, and circuits are provisioned once a site is entered into the customer management system. In addition, because the network connection box at the customer's location is typically a simple bridging device, not a complicated router, there is no need to dispatch a trained engineer to install the device, thus lowering costs to the customer while maintaining a high level of service.

*Ongoing Support.* Once a customer's installation is complete, responsibility for ongoing support is transferred to our Global Solutions Group. This group, which also assigns a single point of contact to each customer call, is supported by powerful automated systems. We also provide additional customer support for our largest customers if these customers need it. Our proprietary systems continuously monitor the devices attached to our network that exceeds the capability of off-the-shelf software monitoring solutions. In addition, we have developed proactive automated systems to help prevent outages before they

happen. Our systems continuously analyze data against performance thresholds to ensure optimal service. When a threshold is not met, an alert is automatically generated and routed to a technician who is trained to resolve the issue. As a result of these systems and processes, we alert our network customers within 15 minutes of an occurrence, regardless of whether the occurrence affects service.

*Service Level Agreements.* We offer end-to-end Service Level Agreements (SLAs) that provide guarantees for network availability, throughput, latency, packet loss and jitter. Our SLAs stand out in the industry as they cover end-to-end network performance within our global infrastructure and to the customer's site.

## CUSTOMERS

We currently provide services to over 5,500 customers. Our two largest customers, Reuters and Telerate, combined represented 20% of our revenue in 2004. In December 2004, Reuters and Telerate signed an agreement for Reuters to acquire Telerate. We cannot predict at this time what effect this will have on our business.

No other individual customer accounted for more than 10% of our revenues during 2004. Our contracts with our customers are typically for one to three years in length. Many of our customer contracts contain service level agreements that provide for service credits if we fail to maintain certain specified quality levels of service.

## GLOBAL OPERATIONS

*Facilities.* Our clients "plug into" the SAVVIS infrastructure and receive services through hundreds of Points of Presence, or PoPs, in 47 countries. PoPs are secured facilities that provide highly reliable, direct access to our high-speed telecommunications infrastructure. We provide network connectivity through an extensive global infrastructure that includes over 300 ATM and Frame Relay switches, 200 backbone routers and 17,000 access devices on customer locations. Our network is designed with highly redundant backbone infrastructure including diversely routed long haul and local access connections from multiple carriers. This backbone network uses a ring architecture so that at least two different paths exist between switching facilities resulting in a self-healing, fault-tolerant network.

*Operations Centers.* Our global operations center located in St. Louis, Missouri, and our regional operations centers in Reading, U.K., Singapore, and Tokyo operate 24 hours a day, 365 days a year, and are staffed by skilled technicians. From the operations centers, we remotely monitor the components of the global infrastructure, perform diagnostics and maintain equipment. We also operate data center facilities around the globe, with one of the highest levels of security, redundancy, availability and on-site support in the industry.

*Management and Monitoring Systems.* We use proprietary systems and software to run the IT infrastructure for our customers. Using this software, we provide real-time monitoring for thousands of servers and storage devices, network circuits and connectivity devices worldwide in support of customers' IT infrastructure. We also provide easy-to-use Web-based tools, allowing clients to monitor the critical elements of their solutions. We have real-time access to system performance statistics by day, week, or month including views into CPU utilization, disk capacity, processor capacity and network interface traffic.

*Global Solutions Group.* Our Global Solutions Group is responsible for managing and expanding the relationship with existing customers. The team alerts customers when they begin to outgrow their services and works with them to maximize the performance of their solutions. They also introduce new services to clients and build a plan, when appropriate, for integrating these services into their current solutions. Finally, they work closely with clients as their contract renewal approaches, advising them on the best way to leverage our portfolio of services.

## SALES AND MARKETING

We primarily reach potential new customers and sell new services to our existing customers through our direct sales force.

*Direct Sales.* Our direct sales force uses a "solution selling" approach to understand a client's IT infrastructure requirements. Once an opportunity is qualified with a new or existing customer, we engage product and engineering experts to design the final solution. With this approach, we are able to develop a relationship with the client, enabling us to maximize the value derived from our solutions. All direct sales representatives take part in an extensive training program designed to develop

in-depth consultative selling skills so they can better understand customers' complex network, hosting, and application requirements and help develop tailored solutions. In addition, we partner with agents and resellers who either sell our products themselves or refer business to our direct sales force.

*Marketing.* We are a business-to-business company whose marketing programs are targeted at information technology executives, as well as line of business and finance executives. We use marketing campaigns to increase brand awareness, generate leads, accelerate the sales process, retain existing customers, and promote new products to existing and prospective customers. We place print advertisements in trade journals, newspapers and special-interest publications. We participate in industry conferences and trade shows. We use direct mail, e-newsletters, surveys, telemarketing, Internet marketing, on-line and on-site seminars, collateral materials, and welcome kits to communicate with existing customers and to reach potential new customers. Our employees author and publish articles about industry trends and our services. Additionally, we work closely with industry analysts and the press so that they understand and can communicate the value of our services.

## COMPETITION

Our competition ranges from very large telecommunications companies, hardware manufacturers, and system integrators that support the in-house IT operations for a business or offer outsourcing solutions, to smaller point solutions companies that sell individual IT services or solutions to selected industries.

*Traditional Telecommunications Companies.* This category includes companies such as AT&T Corp., Equant N.V., MCI, Inc., Qwest Communications International Inc. and Sprint Corporation. These traditional carriers have used their legacy voice and data business to expand into IP VPN and hosting services.

*Large Scale Systems Integrators.* Leading companies in this category include IBM and Electronic Data Systems Corporation (EDS). These companies tend to focus on large scale, long-term systems integration projects and outsourcing contracts that include hiring a large portion of the client's staff.

*Internet Infrastructure Service Providers.* Companies such as Equinix, Inc. and Internap Network Services Corporation are included in this category. These companies tend to focus on one part of Internet infrastructure service such as colocation or Internet access.

*Voice Providers.* Competitors in this space are mostly focused on delivering local and long distance voice and, in some cases, voice VPNs. Established incumbent local exchange carriers such as SBC Communications, Inc. and Verizon Communications, Inc as well as voice services providers such as MCI, Sprint, and AT&T all take this approach. Hardware manufacturers such as Cisco Systems, Inc. and Avaya, Inc. target businesses that want to build their own voice network using new voice over IP (VoIP) technology.

*Bandwidth Providers.* Companies in this space, such as Level 3 and Broadwing, focus on providing unmanaged network connections to businesses that want to build and manage their own wide area data networks. This part of the industry is extremely price sensitive, and switching costs for customers are low. These providers compete by adding value-added, managed services with their bandwidth products.

*Point Software and Service Solutions Providers.* These competitors focus on delivering a niche solution to one of the industry verticals or solution areas targeted by SAVVIS. These are smaller companies with expertise in a single area that may be difficult to integrate with a business' overall IT operations.

*Content Delivery Network Providers.* The CDN market includes competitors such as Akamai Technologies, Inc., Speedera Networks, Inc. and Mirror Image® Internet, Inc. that focus entirely on CDN solutions separate from a business' overall IT operations.

In addition, we "compete" against potential customers' ability to build and manage their own IT infrastructure. We believe some of the key factors customers consider in deciding whether to contract with us, perform services themselves, or contract with our competitors include customer service, price, technology and industry knowledge.

## REGULATORY MATTERS

### Overview

The following section describes material laws and regulatory developments that we believe are currently applicable to our business. It does not cover all present or pending federal, state, local or foreign regulations affecting the communications industry.

### Regulatory Analysis by Service Type

We provide a portfolio of flexible, integrated, managed, and global outsourced technology infrastructure services that can be purchased individually or in combination to support a broad range of business applications. Our portfolio includes a full range of managed communications that we market under various trade names. Our communications-related services that are, or may be, subject to regulation include managed IP VPN, high bandwidth Internet access, private line services, managed voice services, and hosting.

### Managed IP VPN

The core of our managed IP VPN business is providing managed data networking services to corporate customers. The managed IP VPN that we provide are generally characterized by regulators as data transmission services or value-added services. Where required, we are authorized by law, individual license, general authorization obtainable by simple notification or declaration, or by an automatic "class" license to provide these services in all countries in which we expect to generate significant revenue from these services. This includes the United States, United Kingdom and Japan, as well as other major markets in North America, the European Union and Asia. We believe that we have all material licenses or authorizations necessary to run our business. If we identify the need for an additional license or authorization, we intend to acquire such license or authorization.

### High Bandwidth Internet Access

The High Bandwidth Internet Access services that we offer generally do not require any authorization beyond those required for managed data networking services and value-added services. In many countries, Internet services are less heavily regulated than other enhanced data services. In the United States, for instance, no individual authorization is currently required for provision of the type of Internet access that we offer. However, because Internet and Internet Protocol (IP) technology remain a relatively recent development, regulations concerning Internet access remain vague and unclear in many countries, including the United States. Any new interpretations of the regulations concerning Internet access could result in changes in the way we do business. For example, there is a risk that customers may attempt to use our network to access the Internet in countries that may prohibit or restrict such access or, after accessing the Internet, may create or view content or engage in other activities that certain countries may wish to prohibit or restrict. We may limit this risk by discontinuing such access if measures are taken or threatened by the pertinent authorities to restrict the use of our network for these purposes.

### Private Line Services

We offer domestic and international private line services. Our private line services provide a digital transmission channel of defined bandwidth between two points. Direct connectivity between fixed points is available within the United States, between the United States and the United Kingdom and between the United States and other locations in Europe and Asia where we have nodes to accommodate the service. Because the service is protocol independent and highly resilient, it can be designed to meet a variety of customer requirements and can carry data, digitized voice, fax, video, multimedia or any other form of digital transmission.

Customers are able to purchase capacity on a wholesale or unmanaged basis, annual lease or on an Indefeasible Right to Use (IRU) basis. Our services are most often used by large multinational companies as part of a private corporate network to carry mixed voice, high speed data or for a Local Area Network (LAN) interconnection and by other carriers and Internet Service Providers. In the United States, private line services are regulated by the United States Federal Communications Commission (FCC) as telecommunications services. Private line services are also regulated in other countries. We believe we have obtained all the necessary authorizations to provide these services. If we identify the need for any additional license or authorization, we intend to acquire such license or authorization.